

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

CHASE HAMANO, Individually and on
behalf of all others similarly situated,

Plaintiff,

v.

ACTIVISION BLIZZARD, INC., ROBERT
A. KOTICK, SPENCER NEUMANN, and
COLLISTER JOHNSON,

Defendants.

Case No.

JURY TRIAL DEMANDED

**CLASS ACTION COMPLAINT
FOR THE VIOLATION OF THE FEDERAL SECURITIES LAWS**

Plaintiff, Chase Hamano (“Plaintiff”), individually and on behalf of all other persons similarly situated, alleges the following based upon personal knowledge and belief as to his own acts, and, as to the rest, based upon the investigation of Plaintiff’s counsel, including a review of Securities and Exchange Commission (“SEC”) filings of Activision Blizzard, Inc. (“Activision Blizzard” or the “Company”), press releases, and analyst reports, media reports and other publicly disclosed reports and information about the Company. Plaintiff believes that substantial additional evidentiary support exists for the Complaint’s allegations after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons who purchased or otherwise acquired Activision Blizzard securities between August 2, 2018 and January 10, 2019, both dates inclusive (the “Class Period”), pursuing remedies under §§10(b) and

20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its senior officers and directors.

2. Activision Blizzard develops and distributes content and services on video game consoles, personal computers (PC), and mobile devices. The Company’s common stock trades on the NASDAQ Global Select Market (“NASDAQ”) under the ticker symbol “ATVI.”

3. On April 29, 2010, the Company announced that it had entered, through its subsidiary Activision Publishing, Inc. (“Activision Publishing”), into an agreement with Bungie, Inc. (“Bungie”), a game developer for franchises such as *Halo*, *Myth* and *Marathon*. The agreement with Bungie gave Activision Blizzard exclusive rights to publish and distribute video games developed by Bungie for the next ten years.

4. Activision Blizzard and Bungie’s partnership produced the commercially successful *Destiny* franchise, a series of science fiction-themed first-person shooter games. In September 2014, Activision Blizzard released *Destiny*, the first installment in the franchise, developed by Bungie. Activision Blizzard announced that the Company sold \$500 million of *Destiny* into retail stores on the first day of its release, making the game the largest video game franchise launch in history at that time. Over the following two years, Bungie and Activision Blizzard developed and released four expansions for *Destiny*. In September 2017, Activision Blizzard released a full sequel, *Destiny 2*. On September 15, 2017, Activision Blizzard announced that *Destiny 2* had “surpassed the original’s records for engagement and digital sales in launch week.” To date, Bungie has developed and Activision Blizzard has released three expansions for *Destiny 2*.

5. Throughout the Class Period, Defendants made materially false and misleading statements regarding the Company’s business, operational and compliance policies. Specifically,

Defendants failed to disclose the following material adverse facts: (i) that there had been a deterioration in the business relationship between Activision Blizzard and Bungie; (ii) that the termination of Activision Blizzard and Bungie's partnership was imminent, giving Bungie full publishing rights and responsibilities for the *Destiny* franchise; (iii) that the termination of the two companies' relationship would have a significant negative impact on Activision Blizzard's revenues; and (iv) that, as a result, Activision Blizzard's public statements were materially false and misleading at all relevant times.

6. On January 10, 2019, Activision Blizzard and Bungie surprised investors by announcing the early termination of their partnership. In a post on its website entitled "Our Destiny," Bungie stated, in relevant part:

We have enjoyed a successful eight-year run and would like to thank Activision for their partnership on Destiny. Looking ahead, we're excited to announce plans for Activision to transfer publishing rights for Destiny to Bungie. With our remarkable Destiny community, we are ready to publish on our own, while Activision will increase their focus on owned IP projects.

The planned transition process is already underway in its early stages, with Bungie and Activision both committed to making sure the handoff is as seamless as possible.

7. That same day, in an SEC filing, Activision Blizzard stated that Bungie "would assume full publishing rights and responsibilities for the Destiny franchise. Going forward, Bungie will own and develop the franchise."

8. In reaction to these announcements, the Company's stock price fell \$4.81 per share, or 9.37%, to close at \$46.54 on January 11, 2019.

9. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

10. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331 and §27 of the Exchange Act.

12. Venue is proper in this District pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as Activision Blizzard transacts business in this District.

13. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

14. Plaintiff, as set forth in the attached Certification, acquired Activision Blizzard's securities at artificially inflated prices during the Class Period and has been damaged thereby.

15. Defendant Activision Blizzard is a video game developer and publisher. Activision Blizzard's common stock trades on the NASDAQ under the ticker symbol "ATVI".

16. Defendant Robert A. Kotick ("Kotick") served at all relevant times as the Company's Chief Executive Officer ("CEO") and Director.

17. Defendant Spencer Neumann served as the Company's Chief Financial Officer ("CFO"), until he was terminated by the Company at the end of 2018.

18. Defendant Collister Johnson ("Johnson") served at all relevant times as President and Chief Operating Officer ("COO") of Activision Blizzard.

19. The Defendants referenced above in ¶¶16-18 are sometimes referred to herein collectively as the “Individual Defendants.”

20. The Individual Defendants, in part because of their positions with Activision Blizzard, possessed the power and authority to control the contents of the Company’s reports to the SEC, as well as its press releases and presentations to securities analysts, money and portfolio managers and investors, *i.e.*, the market. Each Individual Defendant made or controlled the public statements alleged herein to be false or misleading, and had the ability and opportunity to prevent those statements from being disseminated to the market or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public, and that the positive representations which were being made were then materially false and/or misleading.

SUBSTANTIVE ALLEGATIONS

Background

21. Activision Blizzard develops and distributes content and services on video game consoles, personal computers (PC), and mobile devices. The Company was formed in July 2008 as the result of a merger between Activision, Inc. and Vivendi Games, the holding company for the video game studio Blizzard Entertainment.

22. Activision Blizzard is headquartered in Santa Monica, California. The Company’s common stock trades on the NASDAQ under the ticker symbol “ATVI.”

23. On April 29, 2010, the Company announced its entry, through its wholly owned subsidiary Activision Publishing, into an agreement with Bungie, the developer of blockbuster game franchises including *Halo*, *Myth* and *Marathon*. The agreement with Bungie gave Activision

Blizzard exclusive rights to publish and distribute video games developed by Bungie for the next ten years.

24. The partnership between Activision Blizzard and Bungie yielded the commercially successful *Destiny* franchise, a series of science fiction-themed first-person shooter games. In September 2014, Activision Blizzard and Bungie released *Destiny*, the first installment in the franchise. The game was an instant success. Activision Blizzard announced that the Company had sold \$500 million of *Destiny* into retail stores on the first day of its release, making the game the largest video game franchise launch in history at that time. Over the following two years, Bungie developed and Activision Blizzard released four expansions for *Destiny*. In September 2017, Activision Blizzard released a full sequel, *Destiny 2*. On September 15, 2017, Activision Blizzard announced that *Destiny 2* had “surpassed the original’s records for engagement and digital sales in launch week.” Subsequently, Bungie has developed and Activision Blizzard has released three expansions for *Destiny 2*.

Defendants’ Materially False and Misleading Statements During the Class Period

25. The Class Period begins on August 2, 2018. On that date, Activision Blizzard issued a press release announcing the Company’s financial and operating results for the second quarter of 2018 (the “Q2 2018 8-K”). In the Q2 2018 8-K, Activision Blizzard touted successful user engagement metrics for the *Destiny* franchise, stating, in relevant part:

During the quarter, *Destiny 2* released its second expansion, Warmind, with higher attach rates than *Destiny 1*’s second expansion, and *Destiny 2* [Monthly Active Users] grew quarter-over-quarter.

26. On August 2, 2018, Activision Blizzard also filed a quarterly report on Form 10-Q with the SEC for the quarter ended June 30, 2018 (the “Q2 2018 10-Q”). The Q2 2018 10-Q listed *Destiny* among the Company’s “key product franchises,” and informed investors that “[w]e have . . . established a long-term alliance with Bungie to publish its game universe, *Destiny*.”

27. The Q2 2018 10-Q contained signed certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) by Defendants Kotick and Neumann, which stated that “[t]he information contained in the [Q2 2018 10-Q] fairly presents, in all material respects, the financial condition and results of operations of the Company.”

28. On August 2, 2018, Activision Blizzard also held its Q2 2018 Earnings Call. In his prepared remarks, Defendant Johnson state in relevant part:

Turning to Destiny, Bungie and Activision continue to make updates in engaging content for Destiny’s fans. Destiny 2’s second expansion, Warmind, was released in Q2 with a higher attach rate than Destiny 1’s second expansion, and Destiny 2 monthly active users grew quarter-over-quarter.

Now the next big step in the franchise is Forsaken, the major expansion coming out in September. *We think this release will drive strong community engagement, particularly around the innovation in Gambit, a new competitive co-op mode which we think could be transformative for the way people play in first-person action games.*

* * *

*Activision had record second quarter in-game net bookings driven by Call of Duty: World War II, Black Ops 3 and **Destiny 2**.*

(Emphasis added.)

29. After Defendant Johnson finished his prepared remarks, an analyst pressed him for “an update on the Destiny franchise and just your expectations for the major expansion this fall.”

Defendant Johnson responded in pertinent part:

As you’ll remember, we’ve talked a lot about listening to the Destiny community to provide a deeper ongoing experience, more engaging moment to moment gameplay and a series of updates with better rewards in the ongoing live game. And the team at Bungie and the team here at Activision have made a lot of strides in doing that, particularly the last two quarters, with the ongoing improvements to the end game and the overall gameplay experience.

But in particular, with the Warmind expansion in May, that really showed us the ability to evolve the game and regrow engagement and regrow users. *And now, that community, that’s the most positive place since **Destiny 2** launched last September. And so, now we have this big step with the launch of Forsaken which happens next month.*

The encouraging part is players have had a great response so far with engagement online around the content announcement, hands-on gameplay of E3, which honestly led to the highest social sentiment we've seen in three years of E3; and a lot of excitement around Gambit, which brings this whole new way to play that's both cooperative and competitive between teams. *And we really do think it could be transformative.*

So we feel good about the content to come and the engagement we've seen in the community overall, and we feel really good about what Forsaken would do to build on that momentum. So we're excited for it, and we're in that countdown period now to put it in the hands of our fans.

(Emphasis added.)

30. On September 4, 2018, the Company issued a press release announcing the worldwide release of its *Destiny 2* expansion, *Forsaken*. The press release stated that the Company had “plenty of surprises in store in the weeks and months ahead, and *we have been working all year with our community to make sure Forsaken will meet their expectations.*” (Emphasis added.)

31. On November 8, 2018, Activision Blizzard issued a press release announcing its financial and operating results for the quarter ended September 30, 2018 (the “Q3 2018 8-K”). In the Q3 2018 8-K, Activision Blizzard again touted successful user engagement metrics for its *Destiny* franchise, stating, in relevant part, that “Destiny MAUs grew quarter-over-quarter and year-over-year, driven by the launch of *Forsaken* and reach initiatives for the base game.”

32. On November 8, 2018, Activision Blizzard also filed a quarterly report with the SEC on Form 10-Q (the “Q3 2018 10-Q”). The Q3 2018 10-Q again listed *Destiny* among the Company’s “key product franchises,” and informed investors that “[w]e have . . . established a long-term alliance with Bungie to publish its game universe, *Destiny*.”

33. The Q3 2018 10-Q contained signed certifications pursuant to SOX by Defendants Kotick and Neumann, stating that “[t]he information contained in the [Q3 2018 10-Q] fairly presents, in all material respects, the financial condition and results of operations of the Company.”

34. On November 8, 2018, Activision Blizzard held its Q3 2018 Earnings Call. During the call, Defendant Johnson highlighted the Company's growth in active monthly users, which had risen to 46 million, "driven by Destiny's expansion, Forsaken, and by new reach initiatives, which grew Destiny monthly active users quarter on quarter and year over year."

35. When pressed specifically on the "health of the Destiny franchise" in light of recent underperformance, Defendant Johnson failed to disclose the serious behind-the-scenes tensions between the Company and Bungie and certainly nothing so serious that it could cause them to prematurely terminate their partnership. To the contrary, Defendant Johnson highlighted the purported high quality of *Destiny* content and the strength of the companies' partnership, as reflected in the following excerpted exchange:

Drew Crum - Stifel, Nicolaus & Co., Inc.

... You touched on this a little bit, but maybe spend a little more time on the health of the Destiny franchise and just what you've seen in terms of engagement post the Forsaken launch. Thanks.

Collister Johnson - Activision Blizzard, Inc.

... I guess I'd start by reiterating that Forsaken is a high-quality expansion of content into the universe. Honestly, it's the highest-quality content we've seen in the franchise to date. It really came out of Activision and Bungie working together to address community concerns post-Destiny 2 holistically. Talking to players, we knew it came from users really doing a fundamental review of how to offer a deeper end-game, greater powers and greater rewards, and engage players who seemed to be really enjoying the content. In particular, it was very well received both by reviewers and by the community, and has ongoing deepening engagement by those that are playing it.

(Emphasis added.)

36. The statements referenced in ¶¶25-35 were materially false and misleading when made because Defendants failed to disclose the following adverse facts, which they knew or recklessly disregarded:

(a) that there had been a deterioration in the business relationship between Activision Blizzard and Bungie;

(b) that the termination of Activision Blizzard and Bungie's partnership, giving Bungie full publishing rights and responsibilities for the Destiny franchise, was imminent;

(c) that the termination of the two companies' relationship would foreseeably have a significant negative impact on Activision Blizzard's revenues; and

(d) that, as a result, Activision Blizzard's public statements were materially false and misleading at all relevant times.

SUBSEQUENT EVENTS

37. On January 10, 2019, Activision Blizzard and Bungie shocked the market by abruptly announcing the end of their business relationship. In a post on its website entitled "Our Destiny," Bungie stated, in relevant part:

We have enjoyed a successful eight-year run and would like to thank Activision for their partnership on Destiny. Looking ahead, we're excited to announce plans for Activision to transfer publishing rights for Destiny to Bungie. With our remarkable Destiny community, we are ready to publish on our own, while Activision will increase their focus on owned IP projects.

The planned transition process is already underway in its early stages, with Bungie and Activision both committed to making sure the handoff is as seamless as possible.

38. That same day, in an SEC filing, Activision Blizzard stated that Bungie "would assume full publishing rights and responsibilities for the Destiny franchise. Going forward, Bungie will own and develop the franchise."

39. Following these announcements, the Company's stock price fell \$4.81 per share, or 9.37%, to close at \$46.54 on January 11, 2019.

40. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant economic losses and damages under the federal securities laws.

CLASS ACTION ALLEGATIONS

41. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Activision Blizzard securities during the Class Period and were damaged thereby (the "Class"). Excluded from the Class are Defendants, their agents, officers and directors, and any entity in which Defendants have or had a controlling interest.

42. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Activision Blizzard securities were actively traded on the NASDAQ. As of February 21, 2019, the number of shares of Activision Blizzard's common stock outstanding was over 763 million. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Activision Blizzard or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

43. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

44. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

45. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether Defendants violated the federal securities laws as alleged herein;
- (b) whether the prices of Activision Blizzard securities were artificially inflated and/or maintained during the Class Period; and
- (c) to what extent the members of the Class have sustained damages and the proper measure of damages.

46. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

**APPLICABILITY OF PRESUMPTION OF RELIANCE – FRAUD-ON-THE-MARKET
DOCTRINE AND *AFFILIATED UTE* ALLEGATIONS**

47. Plaintiff is entitled to a presumption of reliance under *Affiliated Ute Citizens of Utah v. U.S.*, 406 U.S. 128 (1972), because the claims asserted herein against Defendants are predicated in substantial part upon material omissions of fact that Defendants had a duty to disclose.

48. In the alternative, Plaintiff is entitled to a presumption of reliance on Defendants' material misrepresentations and omissions pursuant to the fraud-on-the-market doctrine because, at all relevant times, the market for Activision Blizzard securities was an efficient market for the following reasons, among others:

(a) Activision Blizzard securities were actively traded on the NASDAQ, a highly efficient, electronic stock market;

(b) As a regulated issuer, Activision Blizzard filed periodic public reports with the SEC;

(c) Activision Blizzard was followed by numerous securities analysts; and

(d) Activision Blizzard regularly communicated with public investors via established market communication mechanisms, including regular disseminations of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services.

NO SAFE HARBOR

49. The statutory safe harbor applicable to forward-looking statements under certain circumstances does not apply to any of the false and misleading statements pled in this complaint.

50. Either the statements complained of herein were not forward-looking statements, but rather were historical statements or statements of purportedly current facts and conditions at the time the statements were made, or to the extent there were any forward-looking statements, Defendants' verbal "Safe Harbor" warnings accompanying their oral forward-looking statements issued during the Class Period were ineffective to shield those statements from liability.

51. To the extent that any of the false and misleading statements alleged herein can be construed as forward-looking, those statements were not accompanied by meaningful cautionary language identifying important facts that could cause actual results to differ materially from those in the statements.

52. To the extent that any of the false and misleading statements alleged herein can be construed as forward-looking, Defendants are liable for those false or misleading statements because, at the time each such statement was made, the speaker knew the forward-looking

statement was false or misleading, and the forward-looking statement was authorized and/or approved by an executive officer of Activision Blizzard who knew that the forward-looking statement was false. None of the historic or present tense statements made by Defendants were assumptions underlying or relating to any plan, projection, or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by Defendants expressly related to, or stated to be dependent on, those historic or present tense statements when made.

COUNT I
(Violations of §10(b) of the Exchange Act and
Rule 10b-5 Promulgated Thereunder Against All Defendants)

53. Plaintiff incorporates the foregoing paragraphs by reference.

54. Defendants each disseminated or approved the false or misleading statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

55. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- (a) Employed devices, schemes and artifices to defraud;
- (b) Made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) Engaged in acts, practices and a course of business that operated as a fraud or deceit upon Plaintiff in connection with his purchases of Activision Blizzard securities.

56. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Activision Blizzard securities. They would not

have purchased Activision Blizzard securities at the price paid, or at all, if they had been aware that the market price had been artificially and falsely inflated by Defendants' misleading statements.

COUNT II
(Violations of §20(a) of the Exchange Act
Against the Individual Defendants)

57. Plaintiff incorporates the foregoing paragraphs by reference.

58. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Activision Blizzard disseminated in the marketplace during the Class Period concerning Activision Blizzard's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Activision Blizzard to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Activision Blizzard within the meaning of §20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Activision Blizzard securities.

59. Each of the Individual Defendants, therefore, acted as a controlling person of Activision Blizzard. By reason of their senior management positions and/or being directors of Activision Blizzard, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Activision Blizzard to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Activision Blizzard and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

60. By reason of the above conduct, the Individual Defendants are liable pursuant to §20(a) of the Exchange Act for the violations committed by Activision Blizzard.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

- A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;
- B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;
- C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
- D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

DATED: March 12, 2019

Respectfully Submitted,

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